

**November 1999**

**LEGAL SERVICES CORPORATION  
OFFICE OF INSPECTOR GENERAL**

**PERFORMANCE PLAN  
(Fiscal Year 2000)**

The purpose of this performance plan is to set forth the activities planned for fiscal year 2000 (FY00) to meet the goals established by the Office of Inspector General (OIG) Strategic Plan (Fiscal Years 2000-2004). The performance plan also establishes the measures that will be used to determine progress in achieving those goals, and will serve as the basis for the performance report for that period.

**LONG-TERM GOALS**

As described in the Strategic Plan, the OIG is an oversight organization and accomplishes its missions principally through audits, investigations, and other fact-finding and reporting activities. OIG mission effectiveness is achieved by focusing OIG activities on the right issues at the right time (**goal: relevance**); by performing the work credibly (**goal: credibility**); and by reporting the results of our work in a manner that achieves maximum impact and encourages expeditious corrective action (**goal: communication**). We believe that these broad goals, if accomplished, represent the best performance possible by an OIG. Measures to assess progress in attaining these process goals follow the discussion of program performance goals.

As an oversight organization, the OIG cannot control program performance. However, the OIG can establish program performance goals that represent success in those areas related to its statutory missions, and those goals are shown by mission area. Accordingly, the OIG performance plan contains performance measures for program compliance, program efficiency and effectiveness, and fraud prevention and detection.

**STRATEGIES**

OIG strategies are based on the **risk assessment** that appears in our Strategic Plan (FY00-04). The risk assessment leads us to place greater emphasis on grantee compliance with statutory restrictions and on program efficiency and effectiveness than on the fraud component of the OIG mission.

**Compliance Strategy:** Our strategy for the compliance component is to: (1) review the annual audit reports submitted by independent public accountants (IPAs); (2) conduct on-site reviews of the work of the IPAs to ensure effective compliance checks; and (3) conduct on-site audits to ensure that LSC grant recipients comply with regulatory requirements for separation from organizations that engage in activities from which LSC grant recipients are prohibited by statute or regulation.

**Loss Prevention Strategy:** Our strategy to prevent and detect fraud in grant funds begins with effective annual financial statement audits to help deter major embezzlements,<sup>1</sup> normally the only way that significant sums can be misappropriated from LSC grants. When deterrence fails, effective financial statement audits limit future losses by detecting and reporting the loss. We will conduct inspections of client trust funds, the most frequent source of losses. In addition to conducting investigations into reported losses, we will monitor investigations conducted by state and local law enforcement and professional disciplinary authorities, operate a HOTLINE to facilitate reporting of fraud and abuse, and publish fraud alerts periodically to report losses and convictions to grantees and their staffs, and to provide advice where applicable.

Our strategy to prevent and detect fraud within LSC itself is to continue to oversee the annual financial statement audit of the Corporation, and to conduct periodic reviews of other expenses. We also will review the new LSC financial system when it is fully implemented.

**Efficiency and Effectiveness Strategy:** Good grants management requires good information. Our strategy for program efficiency and effectiveness is to continue to focus our activities on the accuracy and reliability of the caseload information reported to LSC by grantees. The OIG also will report its overall assessment of performance information accuracy and reliability, based on audits conducted in FY98 and FY99.

**In 1996, the OIG reported that millions of additional clients could be served, without corresponding increases in appropriations, through such applications of information technology as delivery of legal services via the Internet and computer kiosks.** The OIG strategy is to continue to press for exploitation of information technology in the delivery of legal services, conduct evaluations of new concepts, and continue to identify new technology applications and otherwise consult with LSC management.

Competition for grants presents an opportunity for LSC to bring about greater efficiency and effectiveness in the delivery of legal services. The OIG's strategy is

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<sup>1</sup> Financial statement audits are not designed to detect fraud. However, embezzlement of significant amounts should be detected because the loss would be material to the accuracy of the financial statements being audited.

to begin an evaluation of the effectiveness of the program in FY00 and to report its findings in FY01.

## RESOURCES

The OIG budget request for FY00 is \$2,100,000, an increase of \$85,000 over the FY99 appropriation. The additional funding is primarily for expected increases in personnel compensation. Fifty-six percent of the requested funds are for compliance oversight, 31 percent for program efficiency and effectiveness activities, and 13 percent for activities to prevent and detect fraud and abuse.

## PROGRAM PERFORMANCE GOALS

### MISSION AREA – PROGRAM COMPLIANCE

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|----------------|--|
| <b>GOAL 1:</b> | Zero reported violations of practice restrictions and prohibitions by independent public accountants in annual grantee audits.                                 |
| <b>GOAL 2:</b> | Ninety percent of independent public accountants conducted effective checks of grantee compliance in annual grantee audits.                                    |
| <b>GOAL 3:</b> | Zero violations by grantees of requirements for separation from organizations that engage in activities restricted or prohibited by statute or LSC regulation. |

**Prior Year Activities:** In FY96 we reviewed and provided comments on draft regulations implementing the statutory restrictions in order to improve their effectiveness. In FY97-99, the OIG published and updated a Compliance Supplement to the Audit Guide providing guidance covering the restrictions to the independent auditors. In FY97-99, we reviewed approximately 270 grantee audit reports submitted by the independent public accountants each year, and published the results in annual reports. Findings of noncompliance were referred to LSC management, and progress of corrective action was tracked by the OIG. We also conducted special compliance audits of 12 grantees in FY97 and issued a summary report in February 1998. In FY98, we conducted eight audit service reviews of the work of the independent auditors to determine whether their checks of grantee compliance were adequate. In FY99 we conducted 60 audit service reviews. Although these reviews determined that the oversight system was working effectively overall, they disclosed some instances where auditor checks were not fully effective.

**Operational Processes For FY00:** In fiscal year 2000, we will review the

approximately 270 audit reports submitted by independent public accountants for findings of noncompliance, refer any such findings to LSC management for follow up, and track the progress of corrective action. We will review and comment on regulations implementing statutory provisions, and on other guidance documents issued to grantees. We will review and comment applicable laws. We will suspend or debar independent public accountants from future audits of LSC grantees where appropriate.

The OIG also will conduct one on-site audit of recipient compliance with program integrity requirements for separation from other organizations that engage in activities restricted or prohibited by statute or LSC regulation. (Additional program integrity audits are planned for FY01). Last, the OIG will conduct 25 audit service reviews of independent auditor working papers to determine whether the compliance checks required by the Audit Guide were accomplished effectively. As indicated above, eight audit service reviews were conducted in FY98, and another 60 reviews were performed in FY99.

#### **Performance Measures:**

**For GOAL 1:** Number of independent audits that report violations of prohibitions on the types of services that LSC grantees may provide.

**For GOAL 2:** Percentage of OIG Audit Service Reviews which found that compliance checks by independent auditors were accomplished effectively.

**For GOAL 3:** Number of OIG audits that found grant recipients materially complied with requirements for separation from organizations that engage in activities restricted or prohibited by statute or LSC regulation.

#### **Validation Means:**

**GOAL 1:** Summary report on IPA reported findings.

**GOAL 2:** Audit Service Review reports.

**GOAL 3:** Program Integrity Audit reports.

**Resources for FY00:** The estimated cost of compliance oversight activities is approximately \$1,184,000, or 56 percent of the \$2,100,000 requested for fiscal year 2000. The total includes OIG staff compensation, contract support, travel, and training expenses, and an allocation of overhead.

### **MISSION AREA – PROGRAM EFFICIENCY AND EFFECTIVENESS**

**GOAL 1:** LSC collects accurate and reliable information sufficient to determine the cost-effectiveness of individual grantee and delivery system performance

**Prior Year Activities:** In FY97, the OIG informally reviewed LSC guidance to grantees on reporting case statistics and provided suggestions for improvement. In FY98, we conducted six audits of Case Statistical Reports (CSRs) to determine whether workload data reported by grantees was accurate and reliable. We found various problems, and LSC management revised its guidance to grantees. An additional six audits of CSRs for 1998 were conducted in FY99, again finding there were inaccuracies (primarily overstatement of cases closed), as reported to Congress in September 1999.

In FY96, the OIG published a report, *Increasing Legal Services Delivery Capacity Through Information Technology*, which concluded that millions of additional eligible persons could be assisted via computer-assisted telephone help line/intake systems, self-help kiosks, and by providing legal assistance via the internet. The report's views have been proven correct with time: **information technology offers the means for LSC to satisfy the legal needs of millions more poor people—without corresponding increases in appropriated funds.**

**Operational Processes for FY00:** The OIG will conduct various activities, both at LSC and on-site, to evaluate the accuracy of the 1999 caseload data submitted by grantees, and will provide an assessment to Congress by July 30, 2000. The OIG also will conduct an audit of one grantee's case statistics report.

In order to expand the delivery of legal services, wherever useful, the OIG will assist LSC management by conducting independent evaluations of information technology applications in the delivery of legal services. The OIG will continue to consult with LSC management regarding new uses of information technology with the potential to increase the number of clients served at minimal marginal cost. The OIG also will begin an evaluation of the effectiveness of competition.

**Performance Measures:**

**For GOAL 1:** OIG provides the assessment of the accuracy of the caseload information submitted in grantees, as requested by Congress, by July 30, 1999.

**Validation Means:** OIG Report System.

**Resources for FY00:** The estimated cost of the above activities is \$658,000, or 31 percent of \$2,100,000 requested for fiscal year 2000. This sum includes contract support in addition to OIG staff compensation, and travel and training expenses.

**MISSION AREA – FRAUD PREVENTION AND DETECTION**

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| <b>GOAL 1:</b> | Reduce the number of client trust fund thefts.  |
| <b>GOAL 2:</b> | Zero cases of grant funds theft/fraud exceeding \$100,000.                              |
| <b>GOAL 3:</b> | Zero incidents of fraud/theft of management and administration funds exceeding \$1,000. |

**Prior Year Activities:** In prior years, OIG investigated all losses and made referrals to prosecutors where appropriate. We operated a fraud Hotline, and in some years published an ***OIG Update***, which described the circumstances allowing the losses and warning signals that were ignored. In FY99, we conducted inspections of the client trust funds of eight grantees to focus attention on the importance of protecting clients, and to disclose any systemic problems with respect to client trust fund vulnerabilities. The OIG provided the guidance for and reviewed the annual financial statement audits of grantee organizations. In every year since 1993, we directed the LSC annual financial statement audit. In 1994, we also conducted a Revenue Audit, which determined that the grant disbursement system was free of material levels of fraud.

**Operational Processes for FY00:** In addition to performing the prior year activities identified above, we will conduct eight on-site inspections of grantee client trust fund practices. In FY00, the OIG will direct the annual financial statement audit of the Corporation and will conduct an audit of costs incurred by one grantee.

**Performance Measures:**

**For GOAL 1:** Number of client trust fund thefts reported/detected in FY00 compared to the prior three years.

**For GOAL 2:** Number of fraud/thefts of grant funds exceeding \$100,000.

**For GOAL 3:** Number of incidents of fraud/thefts from management funds exceeding \$1,000.

**Validation Means:** OIG Case Tracking System.

**Resources for FY00:** The estimated cost of the above fraud prevention and detection activities is approximately \$258,000, or 13 percent of the \$2,100,000 requested for fiscal year 2000. This sum includes OIG staff compensation, contract support, travel and training expenses, and an allocation of overhead.

## **PROCESS MEASURES**

The strategic plan established three process goals: **relevance**, **credibility**, and **communication**. In this section, one or more sub-goals are presented for each process goal, and process measures and validation means are identified for each sub-goal.

**RELEVANCE** – OIG resources are directed to the issues of greatest concern in time to be useful.

**GOAL 1:** *Importance* – The right issues are selected for review.

**Performance Measures:**

- Strategic plan meets requirements of the Government Performance and Results Act. (Y/N)
- Strategic plan assessed risks for the universe of LSC responsibilities and operations. (Y/N)
- Planning process solicited the concerns of LSC leadership and appropriate Congressional committees. (Y/N)
- Resources were assigned according to priorities based on risk. (Y/N)

**Validation Means:** Review of plans with LSC leadership and Congressional committees.

**GOAL 2: *Timeliness*** – OIG reports are delivered at the right time.

**Performance Measures:**

- Percentage of assignments completed by assigned deadline.
- Customer views of timeliness of OIG reports.

**Validation Means:**

- Internal review of assignments.
- Customer satisfaction surveys.

**CREDIBILITY** – Reviews are performed by independent staff of sufficient competence to achieve review objectives, and in accordance with professional standards.

**GOAL 1: *Independence*** – OIG staff is organizationally and personally independent.

**Performance Measures:** Existence of the IG Certification of Independence in semiannual reports. (Y/N)

**Validation Means:** Identification of exceptions.

**GOAL 2: *Competence*** – OIG staff possesses the knowledge and skills to achieve the objectives of OIG reviews.

**Performance Measures:**

- Percentage of professional staff with advanced degrees.
- Percentage of staff meeting continuing professional education requirements.

**Validation Means:** Review of personnel and training records.

**GOAL 3: *Methodology*** – The methodology employed meets professional standards and is appropriate to review objectives.



**Performance Measures:**

- Percentage of reviews meeting applicable professional standards.
- Percentage of draft findings sustained in final reports.

**Validation Means:**

- External Peer Review.
- Review of OIG reports.

**COMMUNICATION** – Findings and recommendations reported achieve maximum impact and encourage corrective action.

**GOAL 1: *Quality*:** Information presented is accurate and complete; findings identify underlying causes of reported problems; and recommendations are effectively communicated to decision-makers.

**Performance Measures:**

- Instances of factual errors or material omissions in final reports.
- Percentage of recommendations accepted.

**Validation Means:**

- Identification of exceptions.
- External Peer Review.
- Review of responses to recommendations.

**GOAL 2: *Form and Content*** – OIG reports meet all form and content expectations established by Congress, federal requirements and professional standards.

**Performance Measures:** Instances of failure to meet to satisfy form and content requirements.

**Validation Means:**

- Identification of exceptions.
- External peer review.